

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re:	)	
	)	
KNIGHT-CELOTEX, LLC, an Illinois limited liability company, and	)	Case No. 09-12200
	)	Chapter 7
	)	
KNIGHT INDUSTRIES I LLC, a Delaware limited liability company,	)	Case No. 09-12219
	)	Chapter 7
	)	
Debtors.	)	Hon. Pamela S. Hollis
	)	
	)	Hearing: July 14, 2009 at 10:30 a.m.
	)	

**NOTICE OF MOTION**

To: See attached Service List

PLEASE TAKE NOTICE that on Tuesday, July 14, 2009 at 10:30 a.m., the undersigned shall appear before the Honorable Pamela S. Hollis, United States Bankruptcy Judge at the Everett McKinley Dirksen Federal Courthouse, Courtroom 644, 219 South Dearborn Street, Chicago, IL, and then and there present the *Motion of Barry A. Chatz, as Chapter 7 Trustee for the Estates of the Debtors, for Final Authority to Use Cash Collateral and Provide Adequate Protection* attached hereto and thereby served upon you.

Dated: July 7, 2009

**BARRY A. CHATZ, CHAPTER 7 TRUSTEE  
THE ESTATES OF KNIGHT-CELOTEX, LLC  
AND KNIGHT INDUSTRIES I LLC**

By: /s/ Richard S. Lauter  
One of His Attorneys

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**MOTION OF BARRY A. CHATZ, AS CHAPTER 7 TRUSTEE  
FOR THE ESTATES OF THE DEBTORS, FOR FINAL AUTHORITY TO  
USE CASH COLLATERAL AND PROVIDE ADEQUATE PROTECTION**

Barry A. Chatz, not individually, but solely as the chapter 7 trustee (the “*Trustee*”) for the estates of Knight-Celotex, LLC and Knight Industries I LLC (collectively, the “*Debtors*”), by and through his undersigned attorneys, hereby moves this Court (the “*Motion*”), pursuant to 11 U.S.C. §§ 361 and 363 for entry of an order granting final authority to the Trustee to use cash collateral and to provide adequate protection. In support of this Motion, the Trustee states as follows:

**JURISDICTION**

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. The statutory predicate for the relief requested herein is sections 361 and 363 of the Bankruptcy Code.

### **FACTUAL AND PROCEDURAL HISTORY**

3. Each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “*Bankruptcy Code*”) on April 6, 2009 (the “*Petition Date*”).

4. On June 10, 2009, the Debtors’ senior secured lender, Bank of America, N.A. (“*B of A*”), filed an emergency motion (the “*Conversion Motion*”) to convert the cases to cases under chapter 7 of the Bankruptcy Code. On June 11, 2009, the Conversion Motion was granted, and the Debtors’ cases were converted to cases under chapter 7 of the Bankruptcy Code.

5. On that same date, the office of the United States Trustee appointed Barry A. Chatz as chapter 7 trustee for the Debtors’ estates.

6. The Trustee desires to continue operating the Debtors’ businesses in order to sell the operations as a going concern. Accordingly, on June 15, 2009, the Trustee filed an *Emergency Motion For Authorization to Operate the Debtors’ Businesses Pursuant to 11 U.S.C. § 721* (the “*Motion to Operate the Businesses*”). This Court granted the Motion to Operate the Businesses on June 17, 2009.

7. The Trustee needed authority to use the cash collateral of B of A in order to operate the Debtors’ businesses. The Trustee, thus, filed an interim *Motion to Use Cash Collateral and Provide Adequate Protection* (the “*Interim Cash Collateral Motion*”). The Court has since entered two orders granting the Trustee interim authority to use B of A’s cash collateral (the “*Interim Cash Collateral Orders*”). The final hearing on the Trustee’s use of B of A’s cash collateral has been set for July 14, 2009.<sup>1</sup>

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<sup>1</sup> The Trustee believes the Interim Cash Collateral Motion is sufficient to allow this Court to enter a final order with respect to the Trustee’s use of B of A’s cash collateral. Out of an abundance of caution, however, the Trustee submits this Motion, which expressly seeks final authority to use the cash collateral of B of A.

**RELIEF REQUESTED**

8. By this Motion, the Trustee seeks final authority to use B of A's cash collateral in accordance with a budget (the "*Budget*") pursuant to section 363(c) of the Bankruptcy Code and to provide adequate protection to B of A pursuant to sections 361 and 363(e).

9. The proposed Budget has not yet been finalized; however, a final version will be filed with the Court prior to the hearing on this Motion.<sup>2</sup>

10. In exchange for the use of cash collateral, B of A requests adequate protection in the form of replacement liens and security interests, to the extent of any prepetition liens and security interests, under the terms and conditions of the Loan Documents, in and to all assets and property of the Debtors (the "*Collateral*"). Additionally, B of A requests a lien in chapter 5 avoidance actions only to the extent that the value of B of A's Collateral declines after the date of conversion. The Trustee believes such adequate protection is necessary to obtain the use of B of A's cash collateral.

11. The Trustee submits that, under the circumstances, the relief requested herein is in the best interest of the estates, their creditors and all other parties-in-interest.

WHEREFORE, the Trustee respectfully requests that this Court enter an order (i) granting this Motion; (ii) giving the Trustee final authority to use the cash collateral of B of A pursuant to 11 U.S.C. § 363(c); (iii) giving the Trustee final authority to provide adequate protection to B of A in the form of replacement liens, pursuant to 11 U.S.C. §§ 361 and 363(e); and (iv) granting such other relief as this Court deems just and proper.

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<sup>2</sup> The Trustee believes the proposed Budget will be substantially similar to that attached to the Interim Cash Collateral Orders; however, there is one significant addition – the Trustee contemplates that the finalized Budget will include a line item for funding the receivership established for certain real property assets.

Dated: July 7, 2009

**BARRY A. CHATZ, CHAPTER 7 TRUSTEE  
FOR THE ESTATES OF KNIGHT-CELOTEX,  
LLC AND KNIGHT INDUSTRIES I LLC**

By: /s/ Richard S. Lauter  
One of His Attorneys

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	)	
Debtors.	)	Hon. Pamela S. Hollis
	)	
	)	Hearing: July 14, 2009 at 10:30 a.m.
	)	

**CERTIFICATE OF SERVICE**

I, Richard S. Lauter, hereby certify that on Tuesday, July 7, 2009, I served the foregoing *Notice of Motion and Motion of Barry A. Chatz, as Chapter 7 Trustee for the Estates of the Debtors, for Final Authority to Use Cash Collateral and Provide Adequate Protection* to those parties receiving electronic notice in the above-captioned case through the Court's ECF/CM system and upon the individuals listed on the following Service List via U.S. Mail postage pre-paid as indicated.

**BARRY A. CHATZ, CHAPTER 7 TRUSTEE  
THE ESTATES OF KNIGHT-CELOTEX, LLC  
AND KNIGHT INDUSTRIES I LLC**

By: /s/ Richard S. Lauter  
One of His Attorneys

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**Service List**

**Electronic Mail Notice List**

The following is the list of parties who are currently on the list to receive e-mail notices for this case.

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